

Unpresented Checks

UCP Guide

A guide to determining the types of unclaimed property you need to track and report

Unpresented checks are checks issued by an organization that remain uncashed because the payee does not “present” them to the bank for payment. Uncashed and unpresented checks make up a large portion of the unclaimed property reported to the Department of Revenue. Unpresented checks include checks that are: outstanding, written-off, stale-dated or returned by the post office (RPO). For the purpose of this guide, we will categorize checks into two areas, payroll checks, and general checks.

General Checks

Unpresented general checks are presumed abandoned after five years if they remain uncashed. Types include: accounts payable, expenses, drafts, vendor payments, dividends, refund, and self-employed commissions.

Payroll

Wage or payroll checks are presumed abandoned one year from the date payable to the employee. These types of checks may include: wages, payroll, employee commissions, returnable garnishments, deferred compensation, payroll services and bonuses.

Watch Out for “Buried” Checks

Depending on the volume of checks flowing through your checking account and your outstanding check report parameters, you may miss unclaimed checks that become “buried.” It is possible to reuse a check number before you have cleared off a stale-dated check to a liability account. Also, if your outstanding check report sorts by month and day, but not by year, older checks may move from the top of the

report into the middle. In both the above situations, a reviewer might not expect to find checks “buried” deep in the outstanding check report. Our auditors routinely look for this problem.

Payroll is One Year Property

The two biggest areas of audit exceptions for checks are:

1. The organization did not know payroll checks are reportable after one year of abandonment, rather than five years.
2. The organization did not realize that although an outside service handles its payroll the organization usually remains responsible for reporting the unclaimed checks. (RCW 63.29.120)

NOTE: Many payroll services have agreed to report clients’ unclaimed checks to our Department. Check with your payroll services to find out if your service is reporting abandoned property for you.

Review Checks Regularly

Research your outstanding checks regularly. We consider a check to be a potential for unclaimed property after it remains outstanding four to six months. Document your adjustments to remove outstanding checks. Consider setting up a liability account to track checks that remain uncashed past six months. Maintain a listing of the checks by payee, amount and **by issue date**, rather than the date removed or written-off.

NOTE: We encourage organizations to contact the owner and refund outstanding checks. It is always preferable for the owner to reclaim their property before abandonment. However, without positive owner contact, simply reissuing your aged checks just prior to abandonment does not start the abandonment period again. The underlying liability, represented by the check, ages for abandonment from the date it was first payable to the owner.

Proving It's Not Unclaimed

Organizations sometimes incorrectly assume that unless the physical check is returned to them as undeliverable, the un-presented check is not really abandoned. However, any un-presented check that appears to remain payable to the owner is subject to abandonment without other explanation.

It is important for your records to show when a check was reissued, issued in error, or cancelled as a duplicate payment. It is almost impossible for records to prove that the check never reached the vendor or that an employee threw the check away by mistake. Because of this difficulty, property is *presumed* abandoned without evidence to the contrary.

We recommended that you set up your accounting information system to document when property is not abandoned. For example, have a written procedure regarding how you will handle un-presented and unclaimed checks and follow the procedure on a consistent basis.

When you are reconciling a bank account and come across a "stale-dated" check, usually older than 90 days, make sure you document how you researched the check. Did you put it in an un-

claimed property liability account? Did you reissue the check? What was the replacement check number? Was the liability paid on another invoice?

It is not considered adequate documentation to remove checks from abandonment because you know the vendor and they would tell you if you owed them. Also, writing the owner to ask if they are aware of you owing them money does not show what happened to the liability per your records.

If the relevant records have been lost, writing the owner may be the only option. If you do need to write to the owner, the letter should provide the owner the option of receiving the funds. For example:

- I have record of receiving these funds.
- I do not have a record of receiving these funds, please issue a refund for the amount.

Documenting the disposition of adjusted stale-dated checks is important but it doesn't have to be time consuming. In many instances it can be as easy as writing the replacement check or invoice number out to the side of the voided check on your outstanding check report. In more complicated cases, you may want to keep the relevant correspondence from the owner or write a brief explanation of what occurred.

Summary

Occasionally scan the entire outstanding check report for "buried" stale-dated checks that can accidentally shift down in the normal sorting process of the report. Remember that payroll checks are presumed abandoned after one year. Resolve your outstanding checks on a frequent basis and make notes if you void or reissue checks. Finally, a consistent procedure for handling unclaimed checks will provide a trail of your actions in the event of an audit.

Serving the People of Washington

UCP GUIDES are published by the Department of Revenue, Unclaimed Property Section. Comments and questions should be addressed to Department of Revenue, Unclaimed Property, P.O. Box 448, Olympia, Washington 98507-0448. To request this document in an alternate format, please call (360) 486-2342. TTY users please call 1-800-451-7985.



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